



STATE OF CONNECTICUT  
DEPARTMENT OF REVENUE SERVICES

**SN 2004(10)**

25 Sigourney Street  
Hartford CT 06106-5032

**SPECIAL NOTICE**

**2004 Legislation Affecting Connecticut Income Tax Withholding by Payers From Nonpayroll Amounts Paid on or After January 1, 2005**

**Purpose:** This Special Notice describes 2004 legislation affecting the Connecticut income tax withholding requirements imposed on payers of nonpayroll amounts.

**Effective Date:** Effective for nonpayroll amounts paid by payers to payees on or after January 1, 2005.

**Statutory Authority:** Conn. Gen. Stat. §12-707, as amended by 2004 Conn. Pub. Acts 201, §5.

**Definitions:** As used in this Special Notice:

- **Payer** means a person making a payment of nonpayroll amounts to one or more payees;
- **Payee** means a person receiving a payment of nonpayroll amounts from a payer;
- **Nonpayroll amounts** means:
  - Gambling winnings (other than Connecticut Lottery winnings) that are paid to a resident individual, or to a person receiving payment on behalf of a resident individual, and that are subject to federal income tax withholding;
  - Connecticut Lottery winnings that are required to be reported by the Connecticut Lottery Corporation to the Internal Revenue Service, whether or not subject to federal income tax withholding, whether paid to a resident, nonresident, or part-year resident, and whether paid to an individual, trust, or estate;
  - Pension and annuity distributions, where the recipient is a resident individual and has requested that Connecticut income tax be withheld;
  - Military retired pay, where the payee is a resident individual and has requested that Connecticut income tax be withheld;

- Unemployment compensation, where the recipient has requested that Connecticut income tax be withheld; **and**
- Amounts (other than wages) paid by a designated withholding agent, where the payee is a performer or performing entity and where Connecticut income tax withholding is required under **Policy Statement 2004(1), Income Tax Withholding for Athletes or Entertainers**;
- **Look-back calendar year** means the calendar year that precedes by two years the calendar year for which a payer is being classified as either a weekly remitter, monthly remitter, or quarterly remitter; **and**
- **Reported liability** means the amount of the total liability for Connecticut income tax withholding shown on a payer's **Form CT-945, Connecticut Annual Reconciliation of Withholding for Nonpayroll Amounts**, for the look-back calendar year (**Form CT-941, Connecticut Quarterly Reconciliation of Withholding**, where the look-back calendar year is calendar year 2003).

**Dates on Which Payers are Required to Pay Over Connecticut Income Tax Withholding Have Changed:** Each payer is required to withhold Connecticut income tax from nonpayroll amounts at the time those amounts are paid and is required to pay over such Connecticut income tax withholding to DRS on or before the due dates described below.

Each calendar year a payer will be classified by DRS either as a **weekly remitter**, **monthly remitter**, or **quarterly remitter**. A payer's classification has nothing to do with how often the payer pays its payees or how often the payer is required to pay over Connecticut income tax withholding to DRS. The classification relates to how much time a payer has to pay over Connecticut income tax withholding to DRS **after** nonpayroll amounts are paid to payees and Connecticut income tax is deducted and withheld

from those nonpayroll amounts. A payer's classification is based on the payer's reported liability for Connecticut income tax withholding during the look-back calendar year. (The look-back calendar year for calendar year 2005 is calendar year 2003.)

**Table 1: Reported liability for Connecticut income tax withholding during the look-back calendar year**

More than	But not more than	Remitter Classification
\$0	\$2,000	Quarterly
\$2,000	10,000	Monthly
\$10,000	-----	Weekly

**Example 1:** *F*, *G*, and *H* are payers whose reported liability for Connecticut income tax withholding during the look-back calendar year was as follows:

	<i>F</i>	<i>G</i>	<i>H</i>
Reported liability during look-back calendar year	\$25,412	\$8,397	\$1,104
Remitter classification	Weekly	Monthly	Quarterly

For calendar year 2005, *F* is a weekly remitter because *F*'s reported liability for Connecticut income tax withholding during the look-back calendar year was more than \$10,000. For calendar year 2005, *G* is a monthly remitter because *G*'s reported liability for Connecticut income tax withholding during the look-back calendar year was more than \$2,000 but not more than \$10,000. For calendar year 2005, *H* is a quarterly remitter because *H*'s reported liability for Connecticut income tax withholding during the look-back calendar year was \$2,000 or less. (The look-back calendar year for calendar year 2005 is calendar year 2003.)

DRS will notify most payers of their classification before mailing them their 2005 *Withholding Remittance Coupon Book for Payers of Nonpayroll Amounts*.

**Weekly Remitter:** The term *weekly remitter* does not refer to how often a payer pays its payees or how often a payer is required to pay over Connecticut income tax withholding to DRS. A weekly remitter is a payer whose reported liability for Connecticut income tax withholding during the look-back calendar year was more than \$10,000. A weekly remitter is required to pay over Connecticut income tax withholding on or before the Wednesday following the weekly period during which the nonpayroll amounts were paid. (*Weekly period* is the

seven-day period beginning on a Saturday and ending on the following Friday.)

**Table 2: Schedule for Weekly Remitters**

<b>If nonpayroll amounts are paid on a Saturday, Sunday, Monday, or Tuesday</b>	Pay over Connecticut income tax withholding on or before the second Wednesday following the date the nonpayroll amounts were paid
<b>If nonpayroll amounts are paid on a Wednesday, Thursday, or Friday</b>	Pay over Connecticut income tax withholding on or before the Wednesday following the date the nonpayroll amounts were paid

**Example 2:** Payer *M* is a weekly remitter and pays nonpayroll amounts once each month on the last day of the month. Although *M* is a weekly remitter, *M* will pay over Connecticut income tax withholding to DRS just once a month because *M* pays nonpayroll amounts (and withholds Connecticut income tax from those nonpayroll amounts) only once a month. *M*'s Connecticut income tax withholding liability for the nonpayroll amounts paid on March 31, 2005 (Thursday) must be paid over to DRS on or before April 6, 2005 (Wednesday). (See Table 2)

**Example 3:** Payer *N* is a weekly remitter and pays nonpayroll amounts every weekday. Even though *N* pays nonpayroll amounts (and withholds Connecticut income tax from those nonpayroll amounts) every weekday, *N* will pay over Connecticut income tax withholding to DRS every week. *N*'s Connecticut income tax withholding liability for the nonpayroll amounts paid on March 7, 2005 (Monday), March 8, 2005 (Tuesday), March 9, 2005 (Wednesday), March 10, 2005 (Thursday), and March 11, 2005 (Friday) must be paid over to DRS on or before March 16, 2005 (Wednesday). *N*'s Connecticut income tax withholding liability for the nonpayroll amounts paid on March 14, 2005 (Monday), March 15, 2005 (Tuesday), March 16, 2005 (Wednesday), March 17, 2005 (Thursday), and March 18, 2005 (Friday) must be paid over to DRS on or before March 23, 2005 (Wednesday). (See Table 2)

**Weekly Period Spanning Two Quarterly Periods:** If a weekly remitter has two or more paydays during a weekly period, the weekly remitter is generally required to make only one payment for the weekly period to DRS and should enter the date

of the last payday when making the payment. However, if the paydays fall in different quarterly periods, the weekly remitter must make separate payments for the separate Connecticut income tax withholding liabilities.

**Example 4:** Payer *J* is a weekly remitter. *J* has a payday on Monday, March 28, 2005 (first quarterly period), and another payday on Friday, April 1, 2005 (second quarterly period). *J* is required to make two separate payments even though the paydays fall within the same weekly period (Saturday, March 26, 2005 to Friday, April 1, 2005). *J* must enter the date of the payday in the first quarterly period (March 28, 2005) when making the separate payment for the payday in the first quarterly period, and must enter the date of the payday in the second quarterly period (April 1, 2005) when making the separate payment for the payday in the second quarterly period. The Connecticut income tax withholding liabilities for both paydays must be paid over to DRS on or before Wednesday, April 6, 2005.

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DRS may require weekly remitters to pay over Connecticut income tax withholding by electronic funds transfer *instead of* by mailing a check, and to file electronically *instead of* by filing a paper **Form CT-8109**, *Connecticut Withholding Tax Payment Form for Nonpayroll Amounts*, and a paper **Form CT-945**, *Connecticut Annual Reconciliation of Withholding for Nonpayroll Amounts*. However, no weekly remitter will be required to pay over Connecticut income tax withholding by electronic funds transfer and to file electronically before being notified in writing by DRS to do so. Instructions will accompany such notification.

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**Monthly Remitter:** The term *monthly remitter* does not refer to how often a payer pays its payees or how often a payer is required to pay over Connecticut income tax withholding to DRS. A monthly remitter is a payer whose reported liability for Connecticut income tax withholding during the look-back calendar year was more than \$2,000 but not more than \$10,000. A monthly remitter is required to pay over Connecticut income tax withholding with **Form CT-8109** on or before the fifteenth day of the month following the month during which the nonpayroll amounts were paid.

**Example 5:** Payer *L* is a monthly remitter and pays nonpayroll amounts every other Friday. As a monthly remitter, *L* will pay over Connecticut income tax withholding to DRS every month even though *L* pays nonpayroll amounts (and withholds

Connecticut income tax from those nonpayroll amounts) every other Friday. *L*'s Connecticut income tax withholding liability for the nonpayroll amounts paid on February 4, 2005 (Friday) and February 18, 2005 (Friday) must be paid over to DRS on or before March 15, 2005.

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**Quarterly Remitter:** The term *quarterly remitter* does not refer to how often a payer pays its payees or how often a payer is required to pay over Connecticut income tax withholding to DRS. A quarterly remitter is a payer whose reported liability for Connecticut income tax withholding during the look-back calendar year was \$2,000 or less. A quarterly remitter is required to pay over Connecticut income tax withholding with **Form CT-8109** on or before the last day of the month following the quarterly period during which the nonpayroll amounts were paid. (*Quarterly period* means a period of three calendar months that ends on the last day of March, June, September, or December.)

**Example 6:** Payer *K* is a quarterly remitter and pays nonpayroll amounts once each month on the first day of the month. As a quarterly remitter, *K* will pay over Connecticut income tax withholding to DRS just once each quarterly period even though *K* pays nonpayroll amounts (and withholds Connecticut income tax from those nonpayroll amounts) once each month. *K*'s Connecticut income tax withholding liability for the nonpayroll amounts paid on January 1, February 1, and March 1, 2005 must be paid over to DRS on or before May 2, 2005 (April 30, 2005 is a Saturday).

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**New Payer:** Most new payers will be classified by DRS as monthly remitters. A payer is a *new payer* for the calendar year during which the payer is first registered with DRS for Connecticut income tax withholding purposes and for the following calendar year. For the calendar year following those two calendar years, a new payer will be classified either as a weekly remitter, monthly remitter, or quarterly remitter, based on the payer's annualized reported liability for Connecticut income tax withholding during the look-back calendar year.

**Example 7:** Payer *D* is first registered with DRS for Connecticut income tax withholding purposes during calendar year 2005. For calendar years 2005 and 2006, *D* will be classified as a monthly remitter. For calendar year 2007, *D* will be classified either as a weekly remitter, monthly remitter, or quarterly remitter, based on *D*'s annualized reported liability

for Connecticut income tax withholding during calendar year 2005. For calendar year 2008, *D* will be classified either as a weekly remitter, monthly remitter, or quarterly remitter, based on *D*'s reported liability for Connecticut income tax withholding during calendar year 2006.

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**Saturday, Sunday, or Legal Holiday:** If a due date falls on a Saturday, Sunday, or legal holiday, the next business day is the due date.

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**Effect on Other Documents:** None affected.

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**Effect of This Document:** A Special Notice announces a new policy or practice in response to changes in State or federal laws or regulations or to judicial decisions. A Special Notice indicates an informal interpretation of Connecticut tax law by DRS.

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**For Further Information:** Call DRS during business hours, Monday through Friday:

- **1-800-382-9463** (in-state), or
- **860-297-5962** (from anywhere)

**TTY, TDD, and Text Telephone users only** may transmit inquiries anytime by calling 860-297-4911.

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**Forms and Publications:** Forms and publications are available anytime by:

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- **Internet:** Preview and download forms and publications from the DRS Web site at **[www.ct.gov/DRS](http://www.ct.gov/DRS)**
  - **DRS TAX-FAX:** Call **860-297-5698** from the handset attached to your fax machine and select from the menu. Only forms (not publications) are available through TAX-FAX.
  - **Telephone:** Call **860-297-4753** (from anywhere), or **1-800-382-9463** (in-state) and select **Option 2** from a touch-tone phone.
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**Paperless Filing Methods (fast, easy, free, and confidential):**

- **For business returns:** Use ***Fast-File*** to file sales and use taxes, business use tax, room occupancy tax, estimated corporation business tax, business entity tax, or withholding tax returns over the Internet. Visit the DRS Web site at **[www.ct.gov/DRS](http://www.ct.gov/DRS)** and click on ***File/Register OnLine***.
  - **For resident income tax returns:** Use ***WebFile*** to file personal income tax returns over the Internet. Visit the DRS Web site at **[www.ct.gov/DRS](http://www.ct.gov/DRS)** and click on ***File/Register OnLine***.
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